

Royal Roads Corp.

444 North Main Street, Suite 200

San Jose, California 95131

Telephone: (415) 281-1111

ROYAL ROADS CORP.

ANNUAL REPORT - 1995

Royal Roads Corp.

1800, 505 - 3RD STREET S.W.
CALGARY, ALBERTA T2P 3E6
TEL. (403) 263-3894 FAX. (403) 233-7447

Dear Shareholder,

Your Board of Directors takes pleasure in presenting Royal Roads Corp.'s first annual report.

As soon as the heavy snow cover thaws preliminary geological work will be done on the Hallmac, B.C. property.

The Hallmac Mine is located in Sandon, B.C. and comprises three mineralized lode systems: the Altoona, the Majestic and the Hallmac. Silver, lead and zinc were first discovered in the Sandon area in 1891. The Hallmac Lode has been developed by a total of 1025.4m of drifting and crosscutting in four main levels and sub-levels. Production from the Hallmac to date (after smelter deductions) totals 405,727 ounces of silver, 1,190 imperial tons of lead and 1,661 pounds of zinc. Zinc was not normally reported as a credit from the ore by Cominco Trail Smelter.

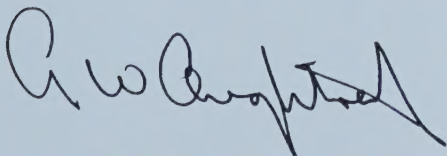
Royal Roads Corp. is hopeful that by modern techniques of geological mapping, geophysical surveying and geochemical sampling that the Hallmac Mine can be revitalized.

Over the winter your Company did some "greenfield" staking in the Purcell Mountain Range of southern B.C.

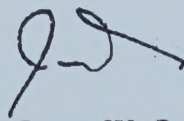
Royal Roads Corp. has entered into preliminary discussions with the government of Albania in regard to three or four large mineral concessions. As negotiations progress shareholders will be promptly informed.

Your Board is pleased to announce the appointment of James W. Owen, CA, as Managing Director of the Corporation.

On behalf of the Board of Directors,



George W. Oughtred
President



James W. Owen
Managing Director

ROYAL ROADS CORP.
FINANCIAL STATEMENTS
DECEMBER 31, 1995

ANTONY BLEACKLEY HANSON & McCOWAN

CHARTERED ACCOUNTANTS

Raymond P. Antony*
Dennis B. Bleackley*
Lorne A. Hanson*
Glenn F. McCowan*

Associates:
Ingrid Howden
Dale Owen

March 8, 1996

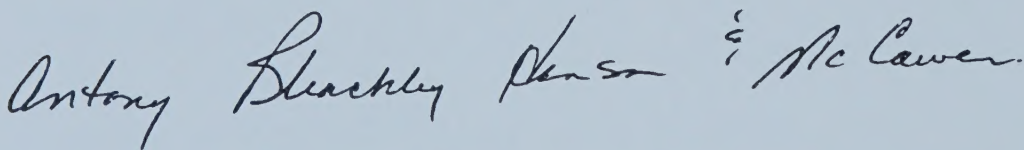
AUDITORS' REPORT

To the Directors of
Royal Roads Corp.

We have audited the balance sheet of Royal Roads Corp. as at December 31, 1995 and the accompanying statements of loss and deficit and changes in financial position for the eight month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1995 and the results of its operations and changes in its financial position for the period then ended in accordance with generally accepted accounting principles.



Chartered Accountants

Calgary, Alberta

ROYAL ROADS CORP.

BALANCE SHEET - DECEMBER 31, 1995

ASSETS

Current assets:

Cash and short term deposits
Accounts receivable

\$ 290,903
3,287

\$ 294,190

Capital assets (Note 4)

250,140

\$ 544,330

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable

\$ 10,052

Shareholders' equity:

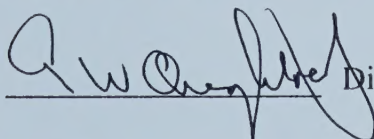
Share capital (Note 5)
Deficit


\$ 567,038
(32,760)

534,278

\$ 544,330

Approved on behalf of the Board:

 Director

 Director

ROYAL ROADS CORP.

STATEMENT OF LOSS AND DEFICIT
FOR THE EIGHT MONTHS ENDED DECEMBER 31, 1995

Revenue:		
Interest		\$ 8,813
Expenses:		
Audit	\$ 4,100	
Engineering	5,862	
Legal	16,782	
Office	3,113	
Regulatory	6,097	
Transfer agent	5,619	
		<u>41,573</u>
Net loss for the period, being deficit at end of period		<u>\$ 32,760</u>
Loss per share		<u>\$.006</u>

ROYAL ROADS CORP.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE EIGHT MONTHS ENDED DECEMBER 31, 1995

Operating activities:		
Loss for the period	\$	(32,760)
Change in non-cash working capital		<u>6,765</u>
	\$	(25,995)
Investment activity:		
Acquisition of capital assets		(250,140)
Financing activity:		
Issuance of share capital		<u>567,038</u>
Increase in cash during the period, being cash end of period	\$	<u><u>290,903</u></u>

ROYAL ROADS CORP.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1995

1. Incorporation/major transaction:

The Company was incorporated on March 24, 1995 under the Business Corporation Act of Alberta, and was classified as a junior capital pool corporation. Effective November 8, 1995 the Company acquired certain mining properties for \$250,000 by issuance of 1,250,000 common shares. It is anticipated that this transaction will qualify as the company's major transaction, for the purposes of the Alberta Stock Exchange, and it will be removed from the junior capital board.

Activities of the Company:

2. The Company is engaged in the exploration for and if warranted production of diamonds, base metals and precious metals.

3. Significant accounting policies:

Mining activities -

All costs related to mineral exploration are capitalized on a property-by-property basis including mining claim costs plus exploration, development and administrative expenditures specific to a property, net of any recoveries. The costs related to a property from which there is production, and capitalized administrative costs, together with the costs of production equipment, will be depleted based on reserves determined by independent consulting engineers. When there is little prospect of future work on a property being carried out by the Company or its partners, the costs of the property will be charged to earnings.

4. Capital assets:

Mineral claims -

December 31, 1995

Hallmac Mines - acquisition costs

\$250,140

5. Share capital:

(a) Authorized -

(i) Unlimited number of common voting shares

(ii) Unlimited number of preferred shares issuable from time to time in one or more series.

5. Share capital (Continued):

(b) Issued -

	<u>Number of shares</u>	<u>\$</u>
April 18, 1995 - issued for cash	3,000,000	\$ 150,000
June 5, 1995 - issued for cash by public offering	2,000,000	200,000
November 8, 1995 - issued on acquisition of mining property	<u>1,250,000</u>	<u>250,000</u>
	6,250,000	600,000
Less: Share issue costs		<u>32,962</u>
	<u>6,250,000</u>	<u>\$ 567,038</u>

(c) Stock options issued and outstanding:

	<u>Number of Options</u>	<u>Option price per share</u>	<u>Expiry Date</u>
Granted to directors	500,000	\$ 0.10	June 23, 2000
Granted to Yorkton Securities Inc. pursuant to agency agreement	<u>200,000</u>	0.10	November 8, 2000
	<u>700,000</u>		

(d) Shares restricted -

Of the issued shares 3,000,000 are subject to terms of escrow agreements and may not be traded prior to receiving regulatory approval.

6. Income taxes:

The Company has a loss carryforward for income tax purposes of approximately \$39,400. The potential benefit of this loss has not been recorded in the financial statements. This loss expires in 2002 if not offset against taxable income by that date. In addition \$250,140 of the Company's mineral costs are deductible for income tax purposes.

7. Subsequent event:

On February 20, 1996 Yorkton Securities Inc. exercised its options to acquire 100,000 shares at \$.10 per share.

CORPORATE INFORMATION

OFFICERS - DIRECTORS

George W. Faulkner	Director
Robert B. Fraleigh	Director
Sanny Harkness	Secretary
George W. Oughtred	President, Director
James W. Owen	Director
Jennifer A. White	Assistant Secretary

CORPORATE OFFICE

1800, 505 - 3rd Street S.W.
Calgary, Alberta T2P 3E6
Telephone: 403 263-3894, Fax: 403 233-7447

LEGAL COUNSEL

Ogilvie and Company
1600 Canada Place
407 - 2nd Street S.W.
Calgary, Alberta T2P 2Y3
Telephone: 403 237-9050, Fax: 403 262-7896

AUDITOR

Antony Bleackley Hanson & McCowan
462, 301 - 14th Street N.W.
Calgary, Alberta T2N 2A1
Telephone: 403 270-3802, Fax: 403 270-3830

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company of Canada
Calgary, Alberta

BANK

Bank of Montreal
Main Branch, Calgary, Alberta

TRADING SYMBOL

"RRO" - Alberta Stock Exchange